

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

November 18, 2010

VSERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2011)
Jeff Briggs, VSEA Representative (term expiring September 1, 2012)
Paul White, Jr., VSEA Representative (term expiring September 1, 2012)
Thomas Hango, VSEA Alternate (term expiring September 1, 2011)
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2012)
Al Blake, VRSEA Alternate (term expiring September 1, 2012)
Richard Johannesen, Governor's Delegate (ex-officio)
Caroline Earle, Commissioner of Human Resources (ex-officio)
James Reardon, Commissioner of Finance & Management (ex-officio)
Jeb Spaulding, VT State Treasurer

Members absent:

None

Also attending:

Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board
Stephen Wisloski, Director of Investment and Debt Management
Elizabeth Pearce, Deputy Vermont Treasurer – via telephone
David Driscoll, Buck Consultants – via telephone
Kai Peterson, Buck Consultants – via telephone
Michael Clasen, Director of Retirement Operations
John Booth, Treasury Operations Director
Karl Kroner, Great West Retirement Services
Chip Sanville, Great West Retirement Services
Perry Christie, Great West Retirement Services
Brent Neese, Great West Retirement Service
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Kevin Gaffney, called the Thursday, November 18, 2010 meeting to order at 9:09 a.m., which was held in the Treasurer's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

ITEM 1: Approve the Minutes of:

- **October 14, 2010**
- **October 26, 2010**

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to approve the minutes of October 14, 2010, as submitted.

On motion by Mr. Briggs, seconded by Mr. Johannesen, the Board voted unanimously to approve the minutes of October 26, 2010, as submitted.

ITEM 2: State of Vermont 457 Deferred Compensation Plan

- **Quarterly review for period ending September 30, 2010**
- **Review and discuss letter from BISCHA relating to new *Secure Foundation* "annuity" product**

Mr. Kroner indicated to the Board he would review the quarterly report for the 457 Plan and then discuss the new Roth feature.

Mr. Kroner appeared before the Board and provided the Quarterly Report for September 30, 2010 for the 457 Deferred Compensation Plan. Mr. Kroner provided the plan overview. There was a discussion about the possible reasons for the decrease in contributions. Mr. Kroner indicated there should be a correction on page five of the report relative to the plan assets. Mr. Kroner indicated that amount should be \$256.60 million and not \$56.60 million. There was a discussion concerning what funds members are selecting. The Board discussed the "opt out" option for new employees. Ms. Earle indicated more research needed to be done concerning that item. The Board discussed financial planning education for State employees. Ms. Webster provided information to the Board concerning the Gold workshops Lisa Helme is conducting around the state. There was a discussion concerning the 3% pay reduction.

Mr. Kroner provided the administrative overview. Mr. Sanville provided the Board members the field activity report.

(Mr. Wisloski left the meeting at this time.)

There was a discussion moving the emergency withdrawal requests to the Hardship Department in Denver. Mr. Neese explained the Board would have the authority to delegate the decision making to the Denver office. There was a discussion what the procedure would consist of. There was a discussion what information would be provided to the Board and what responsibilities they would retain.

Mr. Reardon made a motion, seconded by Mr. Briggs, that even though the Board maintains their fiduciary responsibility the Board delegates the authority to review and approve the hardship requests from the 457 Plan to Great West, with yet to be determined what information the Board would like to receive in the quarterly report in regards to the emergency withdrawals in the 457 Plan.

The Board further discussed this motion. The Board discussed what information they would like to obtain and how this change would affect their members. The Board was told the members would not lose their access to the Board. Ms. Earle indicated she did not want to lose the personal connection with the members. There was a discussion about a disclosure being included on the withdrawal form. Ms. Webster indicated she will obtain a copy of the withdrawal form from Mr. Sanville and then forward it to the Board members for review.

Mr. Reardon amended his motion to defer a vote on this issue until the December 14, 2010 meeting, at which time they would have a solid process outlined and have had an opportunity to review the paperwork involved. All voted aye. The motion passed.

(A recess was taken from 10:40 a.m. to 10:46 a.m.)

Mr. Kroner provided to the Board members the information concerning the Roth 457 Plan. Mr. Kroner answered the Board's questions concerning the change. The Board discussed the features of a Roth 457 Plan. The Board asked questions about contribution limits. Mr. Christie indicated he would work with Ms. Webster to have the Plan Document updated and work with her concerning the forms and marketing. Ms. Webster indicated she will put an item in the newsletter informing members that a Roth 457 Plan will be implemented in the near future.

On motion by Mr. Briggs, seconded by Mr. Dumas, the Board voted unanimously to adopt the proposal to allow the Roth 457 Plan into the State plan effective January 1, 2011.

It was the consensus of the Board they would review the Single Deposit Investment Account quarterly update on their own. Ms. Webster indicated Mr. Wisloski would enter the meeting later to give an update on the investment manager.

The Board started the discussion concerning the *Secure Foundation* "annuity" product. Mr. Kroner reviewed the answers to Mr. Candon's questions contained in the memo dated November 9, 2010. Mr. Neese explained the creation of the "annuity" product. Mr. Neese explained the fees relative to the hedging.

(Mr. Spaulding entered the meeting at this time.)

There was a discussion what funds are available with this product. Great West agreed to return to the meeting at 1:00 since there was a need to have a phone conference at 11:30 with Buck Consultants. It was the consensus of the Board to move Item #6 to Item #3.

(Mr. Kroner, Mr. Sanville, Mr. Christie, and Mr. Neese left the meeting at this time.)

ITEM 3: Discussion with Buck regarding:

- **Assumed rate of return**
- **Separating and valuing employee groups**

(Ms. Pearce, Mr. Driscoll and Mr. Peterson entered the meeting at this time via telephone.)

Mr. Spaulding provided a brief introduction why this item was on the agenda. Mr. Driscoll explained the select and ultimate assumption scenario. Mr. Driscoll indicated the select and ultimate is acceptable for GASB accounting. Mr. Driscoll answered the Board's questions relative to the select and ultimate assumption scenario. Mr. Peterson explained the model used. Mr. Driscoll indicated they could work with an equivalent single rate of return using the same model. There was a discussion how the scale works. There was a discussion how frequently the rate should be reviewed. There was a discussion relative to the ARC and the select and ultimate.

There was a further discussion using an equivalent single rate. It was indicated it could be a different rate for all three systems. It was indicated Buck would look at VPIC, the structure of VSERS and come up with a select and ultimate rate, along with other assumptions to be presented to the Board at the December 14, 2010 meeting.

(Mr. Spaulding left the meeting at this time.)

Mr. Gaffney explained the interest in separating and valuing employee groups. Mr. Driscoll indicated they could do the costs on a group-to-group basis. Mr. Driscoll indicated it would be separate from the experience study, but that they could provide that information.

(Ms. Pearce, Mr. Driscoll, and Mr. Peterson left the conference call at this time.)

(A luncheon recess was taken from 12:45 p.m. to 1:13 p.m.)

(Mr. Christie and Mr. Neese entered the meeting at this time.)

The discussion continued concerning the *Secure Foundation* "annuity" product. Mr. Christie explained the groups of people that would benefit from this product. Mr. Neese explained benefit base and account values. There was a discussion concerning withdrawals from this product. There was a discussion about MRD's.

(Mr. Christie and Mr. Neese left the meeting at this time.)

The Board members decided they would like to obtain more education from a non-partial third-party concerning this product and think about it some more.

ITEM 4: Single Deposit Investment Account

- Quarterly update
- Investment manager update and ratification of proposed resolution

Mr. Gaffney again indicated that the Board members could review the SDIA quarterly update individually.

Ms. Webster indicated Mr. Wisloski was called away to another meeting, but indicated the Board needed to ratify the *Resolution Adopting Declaration of Trust of Vantage Trust Company* document that Mr. Wisloski sent out via email.

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to accept the proposed resolution as presented by Steve Wisloski in his email dated November 8, 2010.

ITEM 5: Discuss/Act on disability retirement recommendation for:

- Marilyn Stevenson New

On motion by Mr. Dumas, seconded by Ms. Earle, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Marilyn Stevenson, without review.

ITEM 6: Review/Act on emergency withdrawal applications for:

- **Joseph Arduca**
- **Barbara Neal**
- **Donna Truckess**

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to accept the recommendation by Great West to approve the emergency withdrawal request of \$15,900.00 for Joseph Arduca.

On motion by Ms. Earle, seconded by Mr. Johannesen, the Board voted unanimously to accept the recommendation by Great West to approve the emergency withdrawal request of a full distribution for Barbara Neal.

On motion by Mr. Briggs, seconded by Mr. Dumas, the Board voted unanimously to accept the recommendation by Great West to approve the emergency withdrawal request for a net amount of \$7,000.00 for Donna Truckess.

On motion by Mr. Reardon, seconded by Mr. Dumas, the Board voted unanimously to enter Executive Session at 2:19 p.m. pursuant to Title 1, § 313 for the purpose of discussing the emergency withdrawal request of Donna Truckess.

The Board exited Executive Session at 2:30 p.m.

Ms. Webster indicated she will obtain information concerning purchasing the home back within one year and a net distribution versus a gross distribution.

ITEM 7: Presentation of FY 2012 budget

(Mr. Clasen and Mr. Booth entered the meeting at this time.)

Mr. Booth reviewed the *Fiscal Year 2012 Budget*. Mr. Booth responded to all questions posed by the Board members. Mr. Reardon indicated he will conduct a presentation to the Board at the December meeting concerning the employer rate of contribution. Mr. Reardon explained what components the rate consists of.

Mr. Clasen provided the Board members an update on VPAS. Mr. Clasen indicated the retiree portion was transitioned last November and was virtually problem-free. Mr. Clasen indicated at the end of this month they will do the final data conversion for the active side and will run parallel for a few months. Mr. Clasen indicated after lengthy testing by the Retirement Specialists on estimates the hope is sometime in May or June that process will go to PG, with the

Retirement Specialists also doing the estimates manually for a period of time after that until they reach a level of comfort. Mr. Clasen indicated in the future there would be a self-service aspect to VPAS for the members to access information about their accounts.

On motion by Ms. Earle, seconded by Mr. Dumas, the Board voted unanimously to approve the budget as presented.

(Mr. Booth left the meeting at this time.)

ITEM 8: Discuss frequency, content and method of distribution of newsletters

Ms. Webster provided the Board members with a memo concerning the cost of the printing and mailing of the newsletters. The Board discussed electronically providing the newsletters versus mailing a hard copy of the newsletters. There was a discussion whether retirees had access to computers and email.

(Mr. Reardon left the meeting during this item.)

There was a discussion concerning having access to the newsletter on the HR website. Mr. Clasen indicated he will have a discussion with the AG's office if there is a difference having something sent by email or by regular mail. There was a discussion having members opt out of receiving a paper newsletter. Mr. Hango suggested sending a postcard informing members the newsletter is available online, and to inform them if they would like to request a hard copy they would need to call the office.

ITEM 9: Any other business to be brought before the Board

Ms. Webster indicated preliminary discussions have started concerning recommendations for the coming legislative year.

ITEM 10: Adjournment

On motion by Mr. Dumas, seconded by Ms. Earle, the Board voted unanimously to adjourn at 3:27 p.m.

Next Meeting Date:

The next scheduled VSERS meeting is a meeting on December 14, 2010 at 9:00 a.m.

Respectfully submitted,

Cynthia L. Webster
Secretary to the Board